

Message Text

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TAGS: EFIN, EEC

SUBJECT: IMF, IBRD ANNUAL MEETING -- EC COMMISSION GIVES ITS
REACTION

REF EC BRUSSELS 4643

1. SUMMARY. EC COMMISSION OFFICIALS EXPECT FRANCE AND THE US TO NEGOTIATE BILATERALLY THEIR DIFFERENCES ON IMF EXCHANGE RATE ARRANGEMENTS. THE EC WILL ASK THE GOF TO KEEP IT INFORMED OF THE PROGRESS OF THESE DISCUSSIONS. CONCERN WAS EXPRESSED OVER THE ANNUAL MEETING'S LACK OF ATTENTION TO THE SHARP INCREASE IN INTERNATIONAL LIQUIDITY. THE COMMISSION FORESEES THE FURTHER DEVELOPMENT OF REGIONAL MONETARY ZONES. THE EC COULD NOT REACH A JOINT POSITION TOWARD THE IBRD "THIRD WINDOW" PROPOSAL.
END SUMMARY.

2. IMF/IBRD ANNUAL MEETING. EC COMMISSION OFFICIALS ARE PLEASED OVER THE RESULTS OF THE ANNUAL MEETING; IT ACCOMPLISHED MORE THAN THEY HAD EXPECTED. THEY UNDERSTAND THE "BIG FIVE" AGREED THAT FRANCE AND THE US WOULD ATTEMPT TO WORK OUT ON A BILATERAL BASIS THEIR DIFFERENCES ON EXCHANGE RATE ARRANGEMENTS. SOME MEMBER STATES, ESPECIALLY ITALY AND THE NETHERLANDS, ARE DISGRUNTLED OVER THIS ARRANGEMENT. COMMISSION OFFICIALS DO NOT
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EXPECT THE REMAINING EIGHT MEMBER STATES TO APPLY PRESSURE ON

THE FRENCH AT THE PRESENT TIME TO REACH A COMPROMISE WITH THE US.

3. THE EIGHT'S POSITION CONTINUES TO BE THE ONE CITED IN THE EC MONETARY COMMITTEE REPORT OF MAY 13 (SEE PARA 4 OF REFTEL). COMMISSION OFFICIALS BELIEVE THAT THIS POSITION IS CLOSE TO THAT OF THE US. THE EC EXPECTS FRANCE TO KEEP IT INFORMED ON THE PROGRESS OF THESE BILATERAL DISCUSSIONS. THE EC MONETARY COMMITTEE HAS SCHEDULED A DISCUSSION OF ARRANGEMENTS FOR FLOATING AT ITS NEXT MEETING ON OCT. 3. (COMMENT. THE EIGHT AND THE COMMISSION GIVE US THE IMPRESSION OF RELYING ON THE US TO PREVENT THE FRENCH FROM GAINING GROUND IN THEIR EFFORTS TO SEEK IMF ADOPTION OF A SYSTEM OF FIXED EXCHANGE RATES. END COMMENT)

4. MONETARY ZONES: COMMISSION OFFICIALS BELIEVE THERE WAS A GOOD DEAL OF SUPPORT EXPRESSED AT THE ANNUAL MEETING FOR THE FURTHER DEVELOPMENT OF REGIONAL MONETARY ZONES. THEY SEE SUCH ZONES EVENTUALLY BEING LINKED TOGETHER IN A WORLD WIDE MONETARY SYSTEM. THE COMMISSION PLANS TO TURN ITS ATTENTION TO STRENGTHENING THE "EUROPEAN MONETARY ZONE".

5. IBRD THIRD WINDOW. THE EC FINANCE MINISTERS TRIED TO DEVELOP A JOINT POSITION TOWARD THE PROPOSED ESTABLISHMENT OF AN IBRD "THIRD WINDOW" DURING THEIR DISCUSSION AT VENICE ON AUG 24 AND IN WASHINGTON. EIGHT SUPPORTED THE POSITION THAT THE EC SHOULD CONTRIBUTE TO THIS NEW FACILITY EVEN IF THE US FAILED TO MAKE A CONTRIBUTION. THE FRG OBJECTED, HOWEVER; AS A RESULT, THE MINISTERS FINALLY DECIDED THAT EACH MEMBER STATE WOULD PROCEED ON ITS OWN REGARDING CONTRIBUTIONS TO THE "THIRD WINDOW".

6. REACTION TO US PROPOSALS. COMMISSION FINANCIAL OFFICIALS ARE STUDYING THE PROPOSALS MADE BY SECRETARIES KISSINGER AND SIMON TO EXPAND IBRD AND IMF ACTIVITIES. THE EC HAS NOT YET DECIDED ON HOW IT WILL COORDINATE ITS VIEWS ON THESE FINANCIAL PROPOSALS. COMMISSION OFFICIALS EXPECT THE EC EXECUTIVE DIRECTORS OF THE IMF AND IBRD BOARDS TO COORDINATE THE EC'S INITIAL REACTIONS TO THESE PROPOSALS. GREENWALD

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